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ARIZONA CORPORATION COMMISSION
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July 29, 2010

Via Hand-Delivery

Brian Bozzo, Compliance Manager
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

JUL 29 2010

DOCKETED BY

**Re: Compliance Filing of Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC")
Power Procurement Procedures
Decision No. 71274
Docket No. E-01575A-08-0328 E-01575A-09-0453**

Dear Mr. Bozzo:

Arizona Corporation Commission's Decision No. 71274 (September 8, 2009)
("Decision") in the above-referenced docket provides the following:

IT IS FURTHER ORDERED that within one year of the effective date of this Decision, Sulphur Springs Valley Electric Cooperative, Inc. shall file in this Docket, as a compliance item, its written fuel procurement policies as recommended by Staff.¹

SSVEC hereby submits its Power Procurement Procedures that were adopted by the SSVEC Board of Directors on March 24, 2010, in compliance with the Decision.

Please do not hesitate to contact me if you have any questions.

¹ Decision at page 49, lines 1-3.

Brian Bozzo
July 29, 2010
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Very truly yours,

SNELL & WILMER

A handwritten signature in dark ink, appearing to read 'B. Carroll', written over the printed name.

Bradley S. Carroll

BSC/dcp
Enclosure

cc: Docket Control (Original plus 13 copies)
Kirby Chapman (Via Email)

<p>Sulphur Springs Valley Electric Cooperative, Inc.</p> <p>POLICIES</p> <p>BOARD OF DIRECTORS</p>	<p>Division</p> <p>OTHER GENERAL POLICIES</p>	
	<p>Subject</p> <p>Power Procurement Procedures</p>	
	<p>Effective Date</p> <p>March 24, 2010</p>	<p>Number F-3</p> <p>Page 1 of 3</p>

I. Objective:

To state the Cooperative's processes for procuring non-AEPCO wholesale power involving transactions of two (2) years' duration or less.

II. Procedures:

- A. SSVEC Staff shall estimate future non-AEPCO power supply needs by comparing forecasted capacity and energy requirements to the quantities of power and energy the Cooperative is entitled to purchase power from AEPCO. This comparison will incorporate, among other things, least cost planning principles, where the projected costs of power from AEPCO are a consideration in determining the need for non-AEPCO purchases.
- B. Non-AEPCO power supply needs of more than two (2) years will be met utilizing the least cost approach, with consideration of renewable energy. For any option over two years in length, a Request for Proposal shall be issued. The RFP options may include, build, lease, purchase power contract or other viable options. The Board of Directors shall approve any option over two (2) years.
- C. Non-AEPCO power supply needs of less than two (2) years will be met with a combination of seasonal, monthly, daily, and hourly purchases from third party wholesale suppliers.
- D. Seasonal and monthly non-AEPCO purchases shall be acquired through a laddering strategy, where expected non-AEPCO needs are broken into separate but relatively equal tranches, and these tranches are secured via forward firm purchases in each of the calendar quarters leading up to the period of need. Notwithstanding the foregoing, up to one third of expected needs may be purchased in the hourly and daily spot markets, rather than by way of forward firm purchases.
- E. All monthly and seasonal transactions shall be executed only after a competitive solicitation process has been conducted and all pricing has been documented.
- F. Hourly and daily transactions shall be managed by the Cooperative's scheduling agent, based on estimated capacity needs and economic comparisons between existing dispatchable resources available and market purchases. The scheduling agent shall procure daily and hourly supplies to supplement power purchased from AEPCO and other suppliers under previous commitments, and also look for opportunities to make economic sales of excess wholesale energy.

**Sulphur Springs Valley
Electric Cooperative, Inc.**

**POLICIES
BOARD OF DIRECTORS**

Division

OTHER GENERAL POLICIES

Subject

Power Procurement Procedures

Effective Date

March 24, 2010

Number **F-3**

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- G. SSVEC Staff may vary from the power procurement strategy outlined within this policy to the extent warranted by unexpected or unusual circumstances, which could include relatively high or low market prices as compared to historical conditions. Any variance must be approved in advance by the CEO. In the event SSVEC Staff varies from this procurement strategy due to unexpected or unusual circumstances, it will notify the Board of the variance at the next regular meeting of the SSVEC Board of Directors.
- H. SSVEC Staff shall routinely meet with the Cooperative's scheduling agent to review purchase and sales activities, examine possible areas of improvement, and ensure that the scheduling agent is performing in a manner consistent with the Cooperative's expectations.
- I. SSVEC Staff Authority and Responsibilities:
 - 1. The CEO shall be responsible for the overall management and decision-making related to non-AEPCO wholesale power transactions. The CEO may execute and commit the Cooperative to transactions with terms of two years or less without the approval of the SSVEC Board of Directors. Any power procurement transaction or resource commitment of longer than two years requires the approval of the SSVEC Board of Directors.
 - 2. The CFO shall be responsible for overseeing day-to-day power planning and procurement activities. In addition, the CFO may execute and commit the Cooperative to transactions of up to \$50,000.
- J. Firm transmission service must be in place before, or simultaneously with, any power purchase that is made. In any event, the Cooperative will secure forward firm transmission service to supply its total anticipated summer peak demand prior to May 1st of each year.
- K. These power procurement procedures will be shared with all Cooperative staff and contract staff involved in non-AEPCO wholesale power procurement.
- L. Communications among SSVEC Staff and contract staff involved in non-AEPCO power procurement shall be conducted through whatever means is determined to be reasonable, including e-mails, telephone conversations, meetings, and/or formal written correspondence.


Sulphur Springs Valley Electric Cooperative, Inc. POLICIES BOARD OF DIRECTORS	Division OTHER GENERAL POLICIES	
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III. Responsibility:

SSVEC Staff shall periodically review this set of procedures and recommend any needed updates or revisions.

SECRETARY'S CERTIFICATE

This is to certify that the foregoing policy of the Board of Directors of Sulphur Springs Valley Electric Cooperative, Inc., entitled "Power Procurement Procedures", Policy No. F-3, consisting of 3 pages, including this page, has been reviewed and approved on the following date: March 24, 2010.



 Secretary, Sulphur Springs Valley Electric Cooperative, Inc.